



B R O A D B A N D

March 18, 2005

Ms. Marlene H. Dortch
Office of the Secretary
Federal Communications Commission
445 12th Street, SW
Washington, DC 20554

*via electronic filing***Re: American Cable Association Petition for Rulemaking, RM-11203**

Dear Ms. Dortch:

On behalf of Sunflower Broadband, I write to express our strongest support for ACA's petition for rulemaking on retransmission consent. As the Manager of a progressive independent cable company serving customers in smaller, rural areas the impact of retransmission consent to my company and my customers is of growing concern. I can verify that ACA's petition accurately describes what will quickly become a crisis before year end under existing retransmission consent rules. Broadcasters in my market have already made cash requests of up to \$2 for consent for a single station. Even more modest requests for cash will result in cable rates increasing well over 10% just to carry stations available free over the air. ACA's solution to this problem is pro-competition, pro-consumer, and deregulatory. It will benefit the consumers served by my company and will help keep down the costs of basic cable.

Provided below is some information about my company and why we think the Commission needs to grant ACA's petition.

Company background

Sunflower Broadband is based in Lawrence, Kansas. It is part of the family owned World Company, which through its Newspaper operation, the Lawrence Journal World, has served Lawrence for over 100 years. The cable operation began in Lawrence in 1970 and now serves five smaller communities, including Linwood, Kansas, population of around 250.

As a locally owned family operation, there is a tremendous commitment to providing the best value and products to our consumers despite our small size. We have had strong support for local programming from the beginning, with 12 hours of original local programming produced every week including city commission meetings, high school sports, and live newscasts. We began a high-speed internet service in 1995, digital cable in 1999, phone service over cable in 2001, HD in 2003, and VOD in 2005. We have invested over 50 million dollars over 10 years to provide advanced services to

the communities we serve during a time when competition is more intense than ever. Through additional investment this year, all of the services listed here will be available even in tiny Linwood, Kansas, by the end of 2005.

During this same 10-year window our cost of programming has increased on average 10 percent each year while we have worked to keep our rate increases to customers closer to 5 percent. Some of these increases are a result of the current retransmission consent rules and have come in the form of new networks that are only carried as a result of retransmission consent. Because of this we have seen our margins on video service shrink tremendously, below a level that would be able to sustain our plant infrastructure if it were not for new services like high speed internet. As a result any fees paid to broadcasters for carriage of free over the air signals could not be absorbed and would have to be passed along to consumers in the form of higher rates.

It is ironic that the same privately funded small cable operators that extended and improved reception of signals in the 60's and 70's for broadcasters are increasing the quality and distribution to help them become the media giants they are today. Now those operators may be run out of business by the local broadcasters they once helped to grow. Consumers that first received broadcast signals via cable may even lose those signals as a result of corporate greed, at a time when the world is supposed be shrinking through the advancement of technology.

We have already had one broadcaster demand \$2 per month per subscriber. If every one of the 13 broadcast stations we carried asked and received the same amount, our basic cable rates would increase from a below average \$39.95 to \$65.95 per month for a basic level of service! This would be an increase of over 65 percent! Even a fee of \$.30 could result in rates increasing \$4 or more. When the need to recoup revenue from the inevitable loss of customers is included, the actual rate increases needed to be even higher.

Why we support ACA's Petition

Basically, all that ACA asks for is a right for us to shop and only when a broadcaster demands a price for retransmission consent. In my markets, I know this will work to lower the cost of retransmission consent for my customers.

Under the current rules we will be faced with a difficult choice of ceasing to transmit local broadcast stations and the important National Network content they carry, or giving our cable customers the single largest rate increase in history. Currently, because of the exclusivity rules there is no free market based negotiation that can take place to find a market price.

I know that I could obtain network programming at a lower cost from other broadcasters. I can do this by receiving signals from neighboring markets. I know that if price competition exists it will keep cable rates lower.

As stated in the petition, the problem is not that broadcasters demand a "price" for retransmission consent. The problem is that they block our ability to find lower-cost alternatives. The petition shows how this problem will easily cost consumers and smaller

cable operators upwards of \$1 billion next year. In my markets, broadcaster's demands will cost my company and our subscribers at least \$1,638,000 per year. This amount reflects about 15% of our total gross revenue from basic video service in 2004!

By making the limited changes requested by ACA, the Commission will bring some market discipline to retransmission consent "pricing." This will help to keep our costs down and will benefit our consumers.

Our concern for localism

As a final point, I want the Commission to know that we support local broadcasting and prefer to carry our local broadcasters. As stated, we currently provide over 12 hours of local programming on our cable system that we produce ourselves. We understand the importance of local programming, but we also understand how much our customers are willing to pay for it. The problem is the higher prices being demanded by more owners of stations, not small market independent stations but stations in large markets owned by large companies. Most often the owners are based in corporate headquarters hundreds or thousands of miles away. Moneys and other consideration that are being extracted through retransmission consent are not going back into local products but to corporate headquarters.

We fully support a fair exchange of value for carriage of local signals. But when broadcasters demand a "price," we need the ability to "shop" to get a "price" that fairly reflects the value of the signal. Please act on ACA's Petition as soon as you can.

Sincerely,



Patrick Knorr
General Manager
Sunflower Broadband